



A review of the Stern Review on the economics of climate change

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Year: 2007
Journal: Journal of Economic Literature. 45 (3): 703-724

Abstract:

The Stern Review calls for immediate decisive action to stabilize greenhouse gases because “the benefits of strong, early action on climate change outweighs the costs.” The economic analysis supporting this conclusion consists mostly of two basic strands. The first strand is a formal aggregative model that relies for its conclusions primarily upon imposing a very low discount rate. Concerning this discount-rate aspect, I am skeptical of the Review's formal analysis, but this essay points out that we are actually a lot less sure about what interest rate should be used for discounting climate change than is commonly acknowledged. The Review's second basic strand is a more intuitive argument that it might be very important to avoid possibly large uncertainties that are difficult to quantify. Concerning this uncertainty aspect, I argue that it might be recast into sound analytical reasoning that might justify some of the Review's conclusions. The basic issue here is that spending money to slow global warming should perhaps not be conceptualized primarily as being about consumption smoothing as much as being about how much insurance to buy to offset the small change of a ruinous catastrophe that is difficult to compensate by ordinary savings.

Source: <http://dx.doi.org/10.1257/jel.45.3.703>

Resource Description

Exposure : ☒

weather or climate related pathway by which climate change affects health

Ecosystem Changes, Extreme Weather Event, Food/Water Security, Food/Water Security, Human Conflict/Displacement, Precipitation, Sea Level Rise, Unspecified Exposure

Extreme Weather Event: Drought, Flooding

Food/Water Security: Agricultural Productivity

Geographic Feature: ☒

resource focuses on specific type of geography

None or Unspecified

Geographic Location: ☒

resource focuses on specific location

Global or Unspecified

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Health Impact:

specification of health effect or disease related to climate change exposure

General Health Impact

Mitigation/Adaptation:

mitigation or adaptation strategy is a focus of resource

Mitigation

Model/Methodology:

type of model used or methodology development is a focus of resource

Cost/Economic, Exposure Change Prediction, Methodology

Resource Type:

format or standard characteristic of resource

Review

Timescale:

time period studied

Long-Term (>50 years)